

Message Text

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DRAFTED BY PM/SAS:RMARRYOTT/EUR/WE:HMOEN:RF

APPROVED BY PM-GVEST

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R 120056Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY ROME

INFO AMEMBASSY BONN

C O N F I D E N T I A L STATE 055031

EXDIS

E.O. 11652: GDS

TAGS: MASS, IT, GE

SUBJECT: SALES OF ITALIAN M-113'S TO FRG

REFERENCE: ROME 2841 STATE 26031

1. WE HAVE CAREFULLY STUDIED THE POINTS MADE BY DEFENSE MINISTER FORLANI IN HIS REQUEST TO YOU FOR A RE-EXAMINATION OF THE DECISION ON OTO-MELARA'S BID TO PRODUCE 400 M-113'S UNDER U.S. LICENSE FOR THE FRG. THESE POINTS AS WELL AS OTHER ASPECTS OF THE CASE WERE THOROUGHLY CONSIDERED BEFORE THE FINAL DECISION WAS TAKEN.

2. NEEDLESS TO SAY WE ARE SYMPATHETIC TO THE ITALIAN
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POSITION, BUT FOR THE REASONS OUTLINED IN REF B, GIVING UP

THE GERMAN SALE TO ITALY WOULD BE NEITHER WELL RECEIVED NOR UNDERSTOOD IN THE UNITED STATES, PARTICULARLY AT THIS TIME. THESE REASONS IN OUR VIEW CONTINUE TO BE VALID AND WE DO NOT BELIEVE THAT IT IS EITHER FEASIBLE OR ADVISABLE TO SEEK A REVERSAL OF THE DECISION IN THIS MATTER.

3. IN HIS LETTER TO YOU, FORLANI LINKS THE FRG CASE TO OTHER REFUSALS, AND HE ALSO SUGGESTS THAT THE DENIAL TO OTO-MELARA SEEMS TO CONTRADICT THE SPIRIT OF THE BASIC LICENSING AGREEMENT. AS FOR THE REFUSALS IN OTHER CASES, WE ASSUME THAT

FORLANI IS REFERRING IN PARTICULAR TO THE LIBYAN ORDER WHICH, AS THE ITALIAN GOVERNMENT KNOWS, INVOLVES A NUMBER OF CONSTRAINTS, NOT THE LEAST OF WHICH IS THE CONSTRAINT ON U.S. SALES OF SUCH ITEMS TO LIBYA.

4. WITH REGARD TO THE CO-PRODUCTION AGREEMENT ITSELF, THE TERMS OF THAT AGREEMENT ARE CONSIDERABLY NARROWER IN SCOPE THAN FORLANI SUGGESTS IN HIS LETTER. IN FACT, THE U.S. LICENSE IS FOR THE "PRODUCTION IN ITALY OF THE M-113 FOR USE BY ITALIAN ARMED FORCES ONLY" (SEE PARA 1A REF B).

5. (FYI: WE DO NOT THINK THAT IT WOULD BE USEFUL TO RAISE THE ISSUES DISCUSSED IN PARAS 3 AND 4 IN YOUR REPLY TO FORLANI. HOWEVER, EMBASSY OFFICERS MAY WISH TO USE THESE POINTS IN THEIR CONVERSATIONS AS APPROPRIATE. (END FYI).

6. WITH REGARD TO SUBSTANCE OF YOUR REPLY TO FORLANI, YOU MAY WISH TO POINT OUT THAT IN VIEW OF THE DECISION TAKEN, THE TRANSACTION IS NOW ESSENTIALLY A COMMERCIAL MATTER BETWEEN THE FMC AND THE FRG. INGERSOLL

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